

Exhibit F

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
Civil Action 11 CIV 9199

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee
Plaintiff, vs. DEPOSITION OF:
BARCLAYS BANK PLC, THE BANK OF NEW YORK ANDREW SOLOMON MELLON, MBIA INSURANCE CORPORATION and ANGELO GORDON & COMPANY, L.P., Defendants.

*****CONFIDENTIAL*****
TRANSCRIPT of the stenographic notes of the proceedings in the above-entitled matter, as taken by and before CAROLYN CHEVANCE, a Shorthand Reporter, and Notary Public of the State of New Jersey, held at the office of SKADDEN ARPS, 4 Times Square, New York, New York, on July 20, 2012, commencing at 10:05 a.m.

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1	Solomon 9, Payment Report, was marked 160
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11	Solomon 17, Spreadsheet, Bates stamped AGCWII 0148300, was marked 226
12	Solomon 18, E-mail, Bates stamped AGCWII 08180, was marked 231
13	Aldama 27, Collateral Management Agreement, previously marked 238
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1 Q Have you ever testified in a
 2 court proceeding?
 3 A No.
 4 Q In an arbitration?
 5 A No.
 6 Q Have you ever provided an
 7 Affidavit in a court proceeding?
 8 A Not that I'm aware of, no.
 9 Q Could you tell me how you
 10 prepared for your deposition today?
 11 A Sure. I spent a couple days
 12 with counsel, about a day-and-a-half, read
 13 through some documents, refreshed myself with
 14 some of the timeline of what has taken place
 15 in this case.
 16 Q Did you meet with anyone else
 17 aside from your counsel?
 18 A No.
 19 Q Have you discussed your -- have
 20 you discussed this deposition with anyone
 21 other than your counsel?
 22 A In addition to outside counsel,
 23 internal counsel, as well as other members of
 24 my team at Angelo Gordon, people I work with.

1 Q Which ones did you review?
 2 A I reviewed the deposition of
 3 Caroline Platt. Jaime Aldama. Vick -- I'm
 4 not sure how to pronounce his last name and
 5 the representative from PF2.
 6 Q Did you review the deposition of
 7 Mr. Jacobs?
 8 A Yes, I did.
 9 Q Do you keep a notebook or a
 10 calendar of any sort?
 11 A I do keep a notebook throughout
 12 the day.
 13 Q When you -- strike that.
 14 Did you engage in a process of
 15 collecting documents relating to the Cedar
 16 Woods II CDO transaction for production in
 17 this litigation?
 18 A All documents that we've
 19 collected have been transferred to counsel.
 20 Q Did that include your notebook?
 21 A It did.
 22 (Whereupon, Solomon 1, Notice of
 23 Deposition, was marked by the reporter
 24 for identification.)

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1 Q You mentioned that you reviewed
 2 some documents during the course of your
 3 preparation?
 4 A Correct.
 5 Q Just back up a minute, how many
 6 days did you spend preparing for your
 7 deposition?
 8 A About a day-and-a-half.
 9 Q Did any of the documents that
 10 you reviewed refresh your recollection as to
 11 any matter that you hadn't recalled before
 12 looking at it?
 13 A Yeah, I think that's fair.
 14 Yeah, refreshed, it's been a timeline that
 15 goes back over a year. So seeing some of the
 16 documents and refreshing helped.
 17 Q Did any document in particular
 18 you recall refreshing your recollection in
 19 that matter?
 20 A No.
 21 Q Did you review any of the
 22 depositions that have been given in this
 23 matter?
 24 A I have.

1 Q The court reporter just handed
 2 you what has been marked as Exhibit 1; which
 3 is a Notice of Deposition to Interpleader
 4 Defendant and Cross-Claim Defendant Angelo
 5 Gordon and Co., pursuant to Federal Rule of
 6 Civil Procedure 30(b)(6).
 7 Is it your understanding that
 8 you are here testifying in addition to in
 9 your personal capacity, in your capacity as a
 10 representative of Angelo Gordon?
 11 A That is correct.
 12 Q And Angelo Gordon is your
 13 employer?
 14 A Correct.
 15 Q What is Angelo Gordon, what kind
 16 of business is it in?
 17 A We are an alternative money
 18 manager.
 19 Q What does that mean?
 20 A We manage money for a number of
 21 different public and private institutions.
 22 Q What is your position at Angelo
 23 Gordon?
 24 A In charge of our commercial real

1 estate debt business.

2 Q What does the commercial real
3 estate debt business comprise?

4 A We are investors primarily in
5 CMBS securities and we manage portfolios, a
6 number of different portfolios for a number
7 of different accounts.

8 Q So you manage them on a --
9 strike that.

10 Do you manage these portfolios
11 on an advisory basis or are they funds
12 actually operated by Angelo Gordon?

13 A Both. We have what I would
14 consider the commingled funds where there are
15 a number of different investors, as well as a
16 number of separate accounts where there is a
17 single investor.

18 Q Does Angelo Gordon also manage
19 collateralized debt obligations?

20 A We do, my group and the firm
21 manages the two Cedar Woods commercial real
22 estate CDOs.

23 Q Does Angelo Gordon manage any
24 other collateralized debt obligations?

1 involved with the selection of the individual
2 securities that go into any portfolio.

3 I'm responsible for interfacing
4 with existing potential new clients,
5 investors, and overseeing the group that's
6 primarily doing the credit analysis of the
7 securities that we potentially purchase.

8 I'm also involved with the
9 trading aspect of the business, buying and
10 selling of individual bonds.

11 Q How did it come about that
12 Angelo Gordon became the manager of the two
13 Cedar Woods CDOs?

14 A In early 2006 we began selecting
15 individual securities for inclusion in the
16 first CRE CDO, with the idea that once we had
17 acquired a pool, a sufficient size, that that
18 would be packaged into a CDO, and what we
19 call liabilities or strips of the obligations
20 would be sold to third-party investors.

21 Q Did the genesis for these CDOs
22 come from Angelo Gordon or did it come from
23 the structurer or some other party?

24 A It came from Angelo Gordon

1 A No other CDOs. We are the
2 manager for a number of collateralized loan
3 obligations, CLOs.

4 Q How would you describe the
5 difference between a CDO and a CLO?

6 A At Angelo Gordon the CLOs are
7 primarily corporate exposures as opposed to
8 commercial real estate exposures, and the
9 underlying within the vehicle are loans to
10 companies in the CLOs.

11 The underlying in our commercial
12 real estate CDOs are primarily securities
13 that are backed by commercial real estate.

14 Q So the two Cedar Woods
15 transactions are the only CDOs that are
16 managed by Angelo Gordon?

17 A Correct.

18 Q And follows that they are the
19 only commercial real estate CDOs that are
20 managed by Angelo Gordon?

21 A That's correct.

22 Q What are your roles and
23 responsibilities at Angelo Gordon?

24 A As the portfolio manager I'm

1 primarily. The firm itself has a very active
2 successful business on the private equity
3 side of the commercial real estate business,
4 owning and operating properties, and this was
5 a way to develop a business on the debt side
6 of the commercial real estate space.

7 Q So focusing for a minute on the
8 Cedar Woods II transaction, that transaction
9 closed in February 2007?

10 A Correct.

11 Q And Angelo Gordon is the
12 collateral manager for that transaction?

13 A That's correct.

14 Q Could you describe generally
15 what the collateral manager does for a CDO?

16 A Sure. In general the collateral
17 manager is typically responsible for
18 selecting the individual credits that go into
19 the deal.

20 The collateral manager may or
21 may not be involved with the marketing of
22 that transaction, going out to those
23 potential investors in the CDO and explaining
24 why they picked the assets that they picked.

1
2 Once the deal is priced and
3 closed, the collateral manager's
4 responsibilities include ongoing monitoring
5 of the portfolio, potentially buying and
6 selling individual securities, and also
7 working with the Trustee, the collateral
8 administrator.

9 Q Working with the Trustee and the
10 collateral administrator in what sense?

11 A Reviewing remittance reports,
12 making sure the information related to
13 individual trades is conveyed to the Trustee,
14 and answering any questions that investors
15 may have.

16 Q How about interaction with the
17 rating agencies, is that part of the
18 collateral manager's responsibilities?

19 A That is.

20 Q What does -- what type of
21 interaction would Angelo Gordon have with the
22 rating agencies?

23 A You know, it depends. A lot of
24 it is answering questions that the agencies
25 may have. Certain transactions within the

1
2 swap that was in the transaction, that
3 required rating agency confirmation.

4 Q Do you know whether there were
5 any rating agency confirmations relating to
6 matters other than swaps and hedges?

7 A I don't recall any.

8 Q Are you aware that one of the
9 issues in the case is whether certain assets
10 were characterized as defaulted securities,
11 correct?

12 A Correct.

13 Q Do you know whether rating
14 agency confirmations were obtained with
15 respect to any of the securities that are now
16 claimed to have been defaulted securities?

17 A Not to my recollection.

18 Q Did you undertake to determine
19 whether rating agency confirmations had been
20 obtained with respect to any of those
21 securities in your preparation for this
22 deposition?

23 A No.

24 Q If there had been rating agency
25 confirmations is that something that would

1 CDO would require rating agency confirmation,
2 so working with the agencies to go get that
3 required confirmation.

4 Q What is a rating agency
5 confirmation?

6 A It's effectively the rating
7 agencies issuing a statement that says doing
8 this particular transaction, maybe it is a
9 buy, maybe it is a sell, they would confirm
10 that that in and of itself is not the sort of
11 thing that would result in a downgrade of any
12 of the CDO bonds, CDO liabilities.

13 Q With respect to the Cedar Woods
14 II transaction, were rating agency
15 confirmations obtained with respect to any
16 transactions or other matters?

17 A I know they were obtained with
18 respect to some of the swaps and hedges.

19 Q What was the nature of the
20 rating agency confirmations with respect to
21 the swaps and hedges?

22 A With the swaps and hedges, to
23 the extent that you were putting in a new
24 interest rate swap or taking out an existing

1 have been brought to your attention with
2 respect to those securities?

3 A Probably.

4 Q Could you tell me kind of
5 organizationally with respect to Angelo
6 Gordon's work as collateral manager for the
7 Cedar Woods II CDO, who else at Angelo Gordon
8 was involved in the -- in providing those
9 services?

10 A Sure. As of today, in addition
11 to myself, there are four other members of my
12 team that work on the commercial real estate
13 debt strategies, exclusively.

14 My most recent hire joined us
15 several months ago, so he has had no
16 involvement in the Cedar Woods II
17 transactions.

18 On a monthly basis there are
19 some specific information related to the
20 collateral that we provide to the Trustee,
21 and the two members of my group do that on a
22 regular basis, on that monthly basis.

23 Q Who was that?

24 A Michael Lewin and Jenna Hines.

1
2 The other member of the team is Rick Finger
3 and he assists with all of the functions that
4 I mentioned earlier.

5 Q This monthly information
6 regarding the collateral that is provided by
7 the Trustee, with the assistance of Mr. Lewin
8 and Ms. Hines, what does that information
9 consist of?

10 A To clarify, it's information
11 that we provide to the Trustee.

12 Q You're right that is what I
13 meant, to the Trustee.

14 A It's a breakdown they call the
15 stratifications of property type geography,
16 that is for the loans within individual CMBS
17 positions, and then also the expected
18 weighted average lives of the individual
19 securities.

20 Q Is that all the information they
21 provide to the Trustee?

22 A On a regular basis, monthly
23 basis, correct.

24 Q Which entity is the Trustee, is
25 that U.S. Bank?

1
2 A Yes.
3 Q And prior to U.S. Bank it was --

4 A It was Lasalle at inception of
5 the deal, which was then acquired by Bank of
6 America and then the Trustee services was
7 sold or spun out from Bank of America to U.S.
8 Bank.

9 Q Did the team, the Trustee team,
10 that you were dealing with change over time?

11 A It did change over time. I
12 don't believe that those changes were
13 connected with the change of the overall
14 institution, but it was just natural
15 attrition of people kind of coming through.

16 Q Am I correct that the group that
17 was originally responsible for the Cedar
18 Woods deal at Lasalle transferred to Bank of
19 America and then transferred to U.S. Bank?

20 A There were personnel changes
21 throughout, so the individual Trustee that
22 would be my primary contact certainly changed
23 over the years.

24 Q Who was -- who is it currently
25 your primary contact?

1
2 A Adam Jacobs.
3 Q Who was it before Mr. Jacobs?
4 A I believe it was Matthew Scott.
5 Q When did Mr. Jacobs take over
6 for Mr. Scott?
7 A I'm not sure of the exact date.
8 Q Before Mr. Scott was there
9 somebody else?

10 A Yes. There was Lev Toker. Also
11 the same person Lev Tensel, she was married
12 at some point, and a number of other
13 individuals that would at times be involved
14 as a secondary contact.

15 So for instance, today in
16 addition to working with Adam, Tom Idikkula
17 is involved in providing Trustee services
18 from that institution as well.

19 Q Do you recall anyone else that
20 you dealt with on a regular basis?

21 A Cheryl Ross. Early on there was
22 an individual named Cyril, last name starts
23 with a T.

24 Q Is there also a collateral
25 administrator for the Cedar Woods CDO?

1
2 A I use the terms interchangeably,
3 Trustee and collateral administrator.

4 Q The entity that serves as the
5 Trustee serves as the collateral manager?

6 MR. PEES: Administrator.

7 A Administrator.

8 Q Do you distinguish at all
9 between their -- between U.S. Bank's role and
10 responsibility as Trustee versus collateral
11 administrator?

12 A I do not.

13 Q Turning to Exhibit 1, if you
14 have it in front of you. Turn to page two,
15 there is a list of topics for examination, do
16 you see that? Page two of Schedule A.

17 A Yes.

18 Q Have you reviewed this before,
19 this schedule of topics for examination?

20 A I have.

21 Q Are you here today prepared to
22 speak to the 13 topics listed here?

23 A I am.

24 Q Topic three is your procedures,
25 research, analysis, calculations or

1 with the rating agencies?
 2 A That's correct.

3 Q In that regard did Angelo Gordon
 4 think it was important to keep track of the
 5 ratings on the securities that it was
 6 purchasing and holding for the Cedar Woods
 7 transaction?

8 A Yes.

9 MR. PEES: When we reach a good
 10 juncture it might be a good time to take
 11 a break.

12 THE VIDEOGRAPHER: The time is
 13 11:04 a.m. Going off the record.

14 (A short break is taken.)

15 THE VIDEOGRAPHER: The time is
 16 11:21 a.m. Back on record.

17 Q Mr. Solomon, aside from the
 18 service providers, does Angelo Gordon utilize
 19 any computer systems to monitor the Cedar
 20 Woods II transaction?

21 A No, there are no systems. We
 22 have Excel spreadsheets.

23 Q Do you keep a database of the
 24 collateral that is in the CDO?

1 A We do.

2 Q How is that maintained?

3 A There is internal system on
 4 that, I believe it's called Tango. But from
 5 the management side what we are doing is the
 6 collateral manager -- the primary system that
 7 we are using, again, it's Excel based.

8 Q What does Tango do or Tango's
 9 capabilities?

10 A It is more internal accounting
 11 and compliance.

12 Q I think my question was, do you
 13 utilize it to track the collateral in the
 14 CDO?

15 A Certainly not the performance of
 16 the collateral, and when Cedar Woods II was
 17 originally constructed none of the securities
 18 were included in Angel Gordon's internal
 19 Tango system.

20 It was only over the last couple
 21 years where there has been a migration in
 22 those securities, or at least included in
 23 that system.

24 Q What did Angelo Gordon utilize

1 prior to Tango?

2 MR. PEES: Objection to the
 3 form.

4 A It was, again, the Excel sheets
 5 that I mentioned, as well as coordination
 6 with the Trustee.

7 Q Does Angelo Gordon maintain a
 8 trade log of some sort?

9 A Yes.

10 Q How is that maintained?

11 A It's in Excel, and whenever a
 12 security is purchased or sold it's included
 13 as a line item in that trade log.

14 Q Is the trade log a running tab
 15 of the trades that are executed for Cedar
 16 Woods?

17 A Yes.

18 Q What is Geneva?

19 A Another internal software system
 20 at Angelo Gordon that's very similar to what
 21 I described with Tango. Again, it's
 22 primarily accounting driven. So I have less
 23 familiarity with the inter workings of our
 24 internal Geneva system.

1 Q When you say it's related to the
 2 internal accounting, is there another group
 3 at Angelo Gordon that works on accounting
 4 issues associated with the Cedar Woods
 5 transaction?

6 A There is.

7 Q What functions do they perform?

8 A The accounting rules have
 9 changed over the life of this deal, and so at
 10 different points in time Angelo Gordon's
 11 auditors have asked for different information
 12 related to the CDOs.

13 So I'm not exactly certain of
 14 what the accounting group is doing on a
 15 day-to-day basis as it relates specifically
 16 to the CDOs.

17 I do know that I will talk with
 18 our auditors as part of their annual audit to
 19 give them an update on the transactions.

20 Q Does somebody in your accounting
 21 group keep track of the -- strike that.

22 Is there someone other than you
 23 and the individuals that assist you that
 24 tracks the trades that are executed, in a

1 trade blotter, something like that?

2 A When a trade is done we take a
3 ticket down to the group that we call trade
4 support, and so there is tracking that is
5 done internally in the Geneva and Tango
6 systems.

7 Q So each trade that is executed
8 for Cedar Woods is entered in the accounting
9 system as well as your Excel spreadsheets?

10 A Correct.

11 Q Do you receive reports from that
12 accounting function, trade support function,
13 sorry?

14 A What I get on a daily basis is a
15 listing across all of our different funds of
16 individual holdings for individual
17 securities.

18 Q And what do you do with that
19 report?

20 A We use it to get a sense of what
21 our exposures are in individual funds and
22 across all our funds, to specific securities.

23 Q What information -- what fields
24 appear on this daily report?

1 MR. MALLOY: Tear off the
2 attachment.

3 MR. LEVINE: We are going to
4 change the original?

5 MR. MALLOY: Yes.

6 Q Is this an engagement letter
7 with Trepp relating to the Cedar Woods II
8 transaction?

9 A It is.

10 Q What services -- are you
11 familiar with this document?

12 A I am.

13 Q What services was Trepp
14 providing specifically relating to the Cedar
15 Woods II transaction?

16 A They -- this is similar to the
17 services that I described earlier, in terms
18 of how you can use Trepp to get information
19 on individual commercial real estate CDOs.

20 In this case what they were
21 engaged to do was to create a projected cash
22 flow model at issuance of the CDO, as well as
23 to update that model and update the
24 information with the type of collateral

1 A It's just a notional amount on
2 owned face amount.

3 (Whereupon, Solomon 2, Letter,
4 Bates stamped HECW 0142673 through 79,
5 was marked by the reporter for
6 identification.)

7 Q The court reporter just handed
8 you what has been marked as Exhibit 2, which
9 is a letter dated January 31, 2007, on Trepp
10 letterhead, addressed to Angelo Gordon and
11 Co., and Bank of America securities.

12 If you look at -- it bears
13 control numbers HECW 204 -- 0142673 through
14 79.

15 If you look at page four of this
16 document, it bears your signature; is that
17 correct?

18 A It does.

19 MR. DONOHUE: There is another
20 e-mail attached to the end of the
21 version that we have, is that
22 unintentional?

23 MR. CARTY: Looks like the same
24 for the witness'.

1 that's in the CDO at a particular point in
2 time.

3 Q Was that model created?
4 A To the best of my knowledge it
5 was.

6 Q And is that something that
7 Angelo Gordon had access to?

8 A We do -- did and do.

9 Q Who else has access to the Trepp
10 model?

11 A I believe anybody that
12 subscribes to Trepp, and has notified Trepp
13 that they are a holder of the securities.

14 Q Was there somebody that worked
15 with Trepp to -- in formulating their model?

16 A I believe that was primarily
17 done by the bankers responsible for this
18 transaction. That was Bank of America
19 Securities.

20 Q The process of preparing the
21 note valuation reports, mechanically how does
22 that work, does someone send you -- prepare a
23 draft and send it to Angelo Gordon?

24 A That's correct.

1
2 Q When does that occur on a
3 monthly basis?

4 A The deals typically -- it
5 depends where weekends fall, but in a typical
6 month the deals payout on the 25th of every
7 month. The cut off date is usually the 19th.
8 Some time around the 19th or
9 20th of the month we will provide the Trustee
10 with that property type and geographic and
11 average life information.

12 Around a day or two after that
13 cut off date of the 19th, the Trustee will
14 provide me with a draft of the note valuation
15 report.

16 Q Okay.

17 A Sometimes there are pieces of
18 information that aren't fully updated in the
19 draft, they will try to get the draft out a
20 day or two after the cut off date.

21 I will review that draft note
22 valuation report and provide the Trustee with
23 any comments or questions that we might have.

24 Those issues hopefully get
25 resolved in the next day or two and by the

1
2 Q So is it fair to say the funds
3 -- the principal and interest that is
4 collected and the various calculations that
5 are run in the note valuation reports, those
6 are calculated as of the cut off date based
7 on the funds that were received on or prior
8 to the cut off date?

9 A That's correct.

10 (Whereupon, Jacobs 32, Document,
11 previously marked was shown to the
12 witness.)

13 Q Handing you what has been
14 previously marked as Exhibit 32 to the Jacobs
15 deposition.

16 Do you have exhibit -- Jacobs
17 Exhibit 32 in front of you?

18 A I do.

19 Q Is this a note valuation report
20 for the Cedar Woods II transaction?

21 A It is.

22 Q Just looking at the top right
23 corner there is an as-of-date that says 21
24 December '10, is that -- would that have been
25 the cut off date?

1
2 25th of the month there should be a note
3 valuation report that is posted that we've
4 signed off on and agreed to.

5 Q You mentioned a cut off date,
6 what is the cut off date?

7 A It's basically the end of each
8 monthly period. So for things like principal
9 payments and interest collections there needs
10 to be a date each month that is basically
11 okay, this is the end of this particular
12 month and the following day is going to be
13 the start of a new month.

14 Q In terms of the note report,
15 what is the significance of the cut off date?

16 A The note valuation report, as
17 well as the payments that are made, relate to
18 that period from the first day of that
19 particular period to the cut off date.

20 Q Which is typically the 19th of
21 the month?

22 A Correct. So in a typical month
23 it's from the 20th of a month to the 19th of
24 the following month, and the note valuation
25 report and payments are made on the 25th.

1
2 A That's correct.
3 Q For this note valuation report.
4 So in this instance it was the
5 21st, why would that have been the case?

6 A It could have been a couple of
7 things. Where a holiday fell in the month or
8 where the weekends fell.

9 It would not be unusual to see a
10 date that was a day or two after a 19th cut
11 off date.

12 Q The formula for determining what
13 the cut off date is set in the indenture; is
14 that correct?

15 A I believe so.

16 Q The next line says current
17 payment, 27 December '10, is that the date
18 when the payments are made?

19 A Correct.

20 Q This document, this note
21 valuation report from December 2010, would
22 this have been a document that you reviewed
23 in accordance with the procedure that you
24 described earlier?

25 A Yes.

1
2 Q Looking at the first page, over
3 on the left side there is reference to a
4 number of data files, do you know what those
5 are?

6 A I don't. I assume that they are
7 files used by the Trustee to help create this
8 report.

9 Q If you turn to page three of the
10 report, on the lower left corner there is a
11 table of asset positions, and it lists four
12 types of assets, CDO, CMBS, REIT debt and
13 cash, do you see that?

14 A I do.

15 Q What do these figures depict?

16 A They show the notional amount,
17 the face amount of securities owned by this
18 CDO that fall into these three different
19 buckets, and then as well as how much cash is
20 in the transaction at a particular point in
21 time.

22 Q And the current count number, 18
23 CDO, 198 CMBS, 5 REIT debt, those are -- that
24 is the number of individual bonds that are
25 held by the CDO?

1
2 have been exclusively real estate CDOs?
3 A Correct.

4 Q If you turn to page five, there
5 is a table that goes on for a couple pages
6 until page eight that is titled Distribution
7 Detail, do you know what this table depicts?

8 A I do.

9 Q Can you describe it for the
10 record?

11 A It shows -- it is also called
12 the waterfall. It shows how available
13 interest proceeds, as well as available
14 redemption monies or principal proceeds, are
15 directed to individual classes.

16 Q On -- looking at the left panel,
17 the far left there is a series of numbers
18 under the column "priority", do you know what
19 those numbers and letters, do you know what
20 those are?

21 A I believe they relate to
22 specific parts of the indenture.

23 Q The parts of the indenture that
24 lay out the priority of payments with respect
25 to, in the case of the left panel, interest

1 A Correct.

2 Q With respect to each of those
3 asset positions?

4 A Right.

5 Q And is that information that was
6 within Angelo Gordon's knowledge at the time
7 that you would have reviewed this note
8 report, the current count of assets of each
9 class?

10 A That is information that we
11 would have internally, yes.

12 Q Would this have been something
13 you reviewed in connection with reading the
14 -- reading and reviewing the report?

15 A Yes.

16 MR. LEVINE: Draft.

17 Q Draft?

18 A Draft of the report.

19 Q Where it says CDO, you mentioned
20 earlier that the only types of CDO that Cedar
21 Woods would purchase are commercial real
22 estate CDOs?

23 A Correct.

24 Q So that 18 count of CDOs would

1 payments?

2 A Correct.

3 Q And in the case of the right
4 panel the principal distributions?

5 A Correct.

6 Q So in this particular month
7 there was a total of -- looking at the top of
8 the column, about 2.7 million, \$2,737,560.14
9 in available interest proceeds?

10 A That's correct.

11 Q And that would have been
12 calculated as of the cut off date that you
13 described?

14 A Yes.

15 Q And that in a sense is the top
16 of the waterfall that then is distributed in
17 accordance with the priorities listed here?

18 A Yes.

19 Q And the third -- there is a
20 number of entries, again I'm focused on the
21 left panel for the time being, there is a
22 number of entries with a dash or a hyphen,
23 those are entries where no distribution was
24 made; is that fair?

1 A These stratification tables are
 2 not something that is a primary focus of ours
 3 when we are reviewing the monthly reports.

4 Q But you did read them?

5 A In summary, yeah.

6 Q Looking at page 76, there is a
 7 table captioned Stratifications Asset, do you
 8 see that?

9 A Yes.

10 Q There is an entry on the table
 11 that is captioned distributions of specific
 12 types, there is an entry for specified type
 13 CDO of CDOs, and it lists six assets with a
 14 principal balance of \$30,834,494, do you see
 15 that?

16 A I do.

17 Q What is a CDO of CDOs?

18 A I believe it is also called a
 19 CDO squared, but it's a pool where the
 20 underlying is all CDOs.

21 Q So a CDO that contains interests
 22 in other CDOs?

23 A I believe so.

24 Q Did you buy any CDO squared's

1 The most straightforward is a
 2 downgrade by either the rating agencies below
 3 the CCC level. So if a bond were to be rated
 4 D or CC or single C, that is a defaulted
 5 security.

6 In addition, there are a number
 7 of other variances from how that security was
 8 originally expected to perform that could
 9 result in the security being classified as a
 10 defaulted security.

11 Q And that depends on the
 12 definition in the indenture; is that correct?

13 A Correct.

14 Q And with respect to a CMBS
 15 security, one of the ways in which a CMBS
 16 security can become a defaulted security is
 17 by missing interest payments?

18 A Correct.

19 Q Going back again, you said that
 20 the evaluation of whether a security is a
 21 defaulted security is something that was done
 22 in conjunction with the Trustee?

23 A Correct.

24 Q When we say the Trustee, are we

1 for the Cedar Woods II CDO?

2 A No.

3 Q Sitting here today you would
 4 agree that that entry is inaccurate, that
 5 states that there are six assets in the pool
 6 that are -- of the specified type CDO of CDO?

7 A That's correct.

8 Q Was one of your Angelo Gordon's
 9 responsibilities as a collateral manager
 10 determining whether a particular security was
 11 a defaulted security?

12 A In conjunction with working with
 13 the Trustee, yeah, we have some
 14 responsibility for that.

15 Q What was the division of labor
 16 between -- strike that.

17 With reference to the Cedar
 18 Woods II transaction, what was the -- strike
 19 that too.

20 With reference to the Cedar
 21 Woods II CDO what is a defaulted security?

22 A There are a number of different
 23 criteria that could create a defaulted
 24 security.

1 talking about also the collateral
 2 administrator, because you don't draw a
 3 distinction between the two?

4 A Yes.

5 Q What was the division of labor
 6 between the collateral manager on the one
 7 hand and the Trustee/collateral administrator
 8 on the other, with respect to determining
 9 whether a security was a defaulted security?

10 A The way that it works is shortly
 11 after a cut off date the Trustee, the
 12 collateral administrator, will provide us
 13 with a list of defaulted securities.

14 Q How -- where -- how do they
 15 generate that list?

16 A I'm not sure.

17 MS. BEHRENS: Object to the
 18 form.

19 Q What do you do with the list?

20 A One of our responsibilities as
 21 the collateral manager is to assign a market
 22 value to defaulted securities, so we will
 23 take that list, we will look at where those
 24 securities are marked by third-party pricing

1 services, and then report back to the Trustee
 2 an estimate of market value for those bonds.
 3

4 Q Is there anything else to the
 5 process of identifying defaulted securities
 6 that is done as between you and the
 7 Trustee/collateral administrator?

8 A So I will look at that list of
 9 securities and independently confirm that we
 10 still believe all of those bonds that are
 11 listed there should be classified as
 12 defaulted, and then as we are doing our
 13 review of a draft of the note valuation
 14 report we are also looking for any securities
 15 that might have been missed that should have
 16 been included as defaulted.

17 Q So you are in a sense looking
 18 for instances where the Trustee/collateral
 19 administrator missed identifying a defaulted
 20 security when you are reviewing the note
 21 valuation report?

22 MS. BEHRENS: Objection to form.

23 A As we are going through the
 24 draft valuation report if we find securities
 25 in there that we think should be classified

1 ratings based and a bond that had been rated
 2 BB was downgraded to CC, but there was no
 3 actual change in the credit characteristics
 4 of that bond, I don't believe that it would
 5 have an impact on where that bond would
 6 necessarily trade.
 7

8 It might, to the extent that the
 9 buyer was ratings constrained, it would have
 10 mattered a lot more in 2008, 2007. Not so
 11 much in the last couple of years.

12 If it was a defaulted security
 13 because of a failure to pay interest, that
 14 also depends. If the market believed that
 15 that was temporary it might not impact price
 16 at all.

17 If the market believed that that
 18 shortfall was going to be ongoing and non
 19 recoverable, then it should have an impact on
 20 price.

21 Q Would it affect the collateral
 22 concentration tests on an inter period basis?

23 A I believe that as certain
 24 securities are classified as defaulted, they
 25 are moved from the denominator of a number of

1 as defaulted we will communicate that to the
 2 Trustee.

3 Q But other than in the context of
 4 reviewing the note valuation reports, did you
 5 monitor the portfolio of securities on an
 6 ongoing basis to determine whether any of the
 7 securities became defaulted securities?

8 A No.

9 Q Would it become relevant at all
 10 in the operation of the CDO that some
 11 security became a defaulted security inter
 12 period, between payment dates?

13 A Can you repeat the question?

14 Q I can give you a new question
 15 that is clearer if that will help.

16 MR. PEES: Why don't we go that
 17 route.

18 Q In connection with the operation
 19 of the CDO, your management of the CDO, are
 20 there situations where it would become
 21 relevant that a particular security became a
 22 defaulted security in between payment dates.

23 MS. BEHRENS: Objection.

24 A It depends. If it's strictly

1 these tests.

2 Q In your work as managing the
 3 Cedar Woods CDO do you need to rely on the
 4 current as opposed to prior period, next
 5 period, figures for the collateral
 6 concentration tests?

7 MR. PEES: Objection to the
 8 form.

9 Q In other words, do you need to
 10 know what the collateral concentration test
 11 is on a particular date as opposed to the end
 12 of the prior period?

13 A Yes.

14 Q In what context would that
 15 become relevant?

16 A It is relevant to the extent
 17 that there is purchases being made into the
 18 vehicle or discretionary sales.

19 In general the indenture says
 20 that purchases need to maintain or improve
 21 any failing tests.

22 Q So on a particular date in
 23 between periods were you relying on the
 24 Trustee or the collateral administrator to

1 determine whether or not a security had
 2 become a defaulted security in between -- to
 3 ensure that those tests were calculated
 4 properly.

5 MR. GEREMIA: Object to the
 6 form.

7 A Yes.

8 Q For those securities that became
 9 defaulted securities or were candidates for
 10 becoming defaulted securities, take a CMBS
 11 security that was potentially defaulted
 12 because of missed interest payments, that
 13 would be one of the criteria?

14 MR. PEES: Objection to the
 15 form.

16 MS. BEHRENS: Objection.

17 Q How did you go about -- say it
 18 came up in the context of reviewing a note
 19 valuation report, how would you go about
 20 determining for yourself, if you did that,
 21 whether or not that security was a defaulted
 22 security?

23 MR. PEES: Objection to the
 24 form.

1 of payments to become defaulted securities?
 2 A For the securities that were
 3 listed as defaulted.

4 Q What about the securities that
 5 weren't listed as defaulted?

6 A For the securities that weren't
 7 listed as defaulted, we were going through on
 8 a monthly basis and checking the amount of
 9 cash flow that was coming in on the
 10 individual line items.

11 Q So you -- you had no system in
 12 place to check the payment histories of each
 13 security on a monthly basis to determine
 14 whether they had missed payments that were
 15 scheduled?

16 MR. PEES: Objection to the
 17 form.

18 A Other than comparing to what had
 19 happened the prior month, no.

20 Q If you wanted to look up the
 21 payment history of a particular security, you
 22 had access to the Trepp system to pull up the
 23 actual remittance report that was issued by
 24 that security, correct?

1 MS. BEHRENS: Objection.

2 A For the listing of securities
 3 that we were provided as part of our review
 4 on a month end basis, the easiest check and
 5 you could go to Bloomberg to do this, is to
 6 see what the rating is.

7 Majority of the defaulted
 8 securities had a rating below CCC by either
 9 Moody's or S&P, so that was a pretty easy
 10 check.

11 For any other securities that
 12 were included there because of missed
 13 interest payments, you would need to go back
 14 to the payment history of that security and
 15 make a determination of whether or not it had
 16 missed the requisite number of interest
 17 payments.

18 Q Who was doing that, who was
 19 looking at the payment histories?

20 A I was.

21 Q On a monthly basis you were
 22 looking at the payment histories for all of
 23 the underlying securities to determine
 24 whether they had missed the requisite number

1 A Yeah, the nuance there is what
 2 Trepp will have is the most recent remittance
 3 report. To go back and get historical
 4 remittance reports it's easier to do it off
 5 of Morningstar or Real Point.

6 Q Okay, but you had access to that
 7 information?

8 A Correct.

9 THE VIDEOGRAPHER: The time is
 10 1:04 p.m. Going off the record.

11 (A luncheon recess is taken.)

1
2 A Yes, I believe it was the
3 Standard & Poor's CDO monitor test.
4

5 Q Do you know whether that test
6 was misstated for the Cedar Woods II
7 transaction as well?

8 A I'm not certain. I don't think
9 that it was.

10 Q Did you undertake to determine
whether it was?

11 A I believe that we did. Again,
12 I'm not certain whether we did or not.

13 THE VIDEOGRAPHER: The time is
14 3:00 p.m. We are going off the record.
15 (A short break is taken.)

16 THE VIDEOGRAPHER: This begins
17 tape number three. The time is
18 3:18 p.m. Back on the record.

19 Q Mr. Solomon, before the break
20 you were discussing -- you testified that
21 there was a circumstance earlier this year
22 when you had requested -- when Angelo Gordon
23 requested the Trustee to make corrections to
24 the prior note reports for the Cedar Woods I
25 transaction?

1
2 extent you were going to say something
3 else, go ahead.

4 A With Cedar Woods II that deal
5 was put into escrow. I believe it was the
6 early part of the fourth quarter of -- the
7 early part of the fourth quarter of last
8 year, and that it has been subject to this
9 Interpleader action since the end of last
10 year, and that is really the reason that we
11 haven't instructed the Trustee to restate any
12 prior remittance reports.

13 Q Because of the litigation?

14 A I believe so.

15 (Whereupon, Jacobs 16, Document,
16 previously marked was shown to the
17 witness.)

18 Q Handing you what was marked
19 previously marked as Jacobs Exhibit 16.

20 Jacobs 16 is a document bearing
21 Bates numbers BARC 109 through -- strike
22 that.

23 Jacobs 16 is a notice dated
24 October 12, 2011, from U.S. Bank as Trustee
25 addressed to the holders of CRE -- Cedar

1 A Correct.

2 Q You also testified that you had
3 identified at least a few other errors with
4 respect to the Cedar Woods II note reports,
5 including the failure to timely designate the
6 Crest 2003-1A bond as a deferred interest PIK
7 bond and the failure to designate the CD
8 2006-C3 bond as a defaulted security.

9 My question is, what is the
10 distinction as to when you would request the
11 Trustee to correct prior note reports, why
12 was it done for Cedar Woods I but not for
13 Cedar Woods II?

14 MS. BEHRENS: Objection to form.

15 MR. VENKATAKRISHNAN: Objection.

16 Q Do you understand my question?

17 A I do.

18 The decision to instruct the
19 Trustee to restate Cedar Woods I was made in
20 conjunction with discussions with internal
21 counsel.

22 With --

23 MR. PEES: Don't elaborate
24 further on that conversation. To the

1 Woods CRE CDO II; is that correct?

2 A Yes.

3 Q What I wanted to draw your
4 attention to was the last two pages of the
5 document which appears to be a letter dated
6 on Angelo Gordon letterhead, addressed to the
7 Trustee, U.S. Bank, Cedar Woods CRE CDO II,
8 the last two pages?

9 A I see it.

10 Q Is it fair to say that this
11 letter is a further explanation of the
12 reasons why Angelo Gordon at the time at
13 least disagreed with the assertions that
14 Barclays was making about the
15 mischaracterization of certain securities as
16 performing, when they should have been
17 characterized as defaulted?

18 A Can you give me a minute to read
19 it?

20 Q Sure.

21 A Okay, I read it.

22 MR. PEES: I want too make sure
23 we are literally on the same page, did
24 you read all four of these?

1 A No, thank you.
 2
 3 MR. PEES: Because the exhibit
 4 is double sided there was some ambiguity
 5 of what the last two pages were.

6 A Okay.

7 Q My question, this October 11th
 8 letter that is attached to this Trustee
 9 notice, is this a further explanation as of
 10 October 11th of Angelo Gordon's position as
 11 to whether or not the securities were
 12 defaulted securities or -- strike. Strike
 13 all that.

14 This October 11th letter that is
 15 attached to the Trustee notice, would it be
 16 accurate to characterize this as Angelo
 17 Gordon's response as of this date to the
 18 contentions that Barclays was raising
 19 regarding the mischaracterization of certain
 20 securities in the Cedar Woods II deal?

21 A Yes, I think that is a fair
 22 characterization.

23 Q Were you involved in preparing
 24 the arguments that were set forth in this
 25 letter?

1 Q Based on what you testified to
 2 earlier it would be accurate to say the
 3 security should have been classified as a
 4 deferred interest PIK bond in 3/25/11 payment
 5 report, correct?

6 A I think it should have, yes.

7 Q Item three, on the next page
 8 there is a discussion of the LBUBS 2007-C1
 9 deal, Classes C, D and H, do you see that?

10 A I do.

11 Q First sentence says "All three
 12 classes of securities from this transaction
 13 incurred their third consecutive month of
 14 interest shortfalls on 5/17/10, and should
 15 have been classified as defaulted securities
 16 in the May 2010 payment report", do you see
 17 that?

18 A I do.

19 Q Do you know whether in fact
 20 those three classes of securities were
 21 classified as defaulted securities in the
 22 May 2010 payment report?

23 A I'm not sure.

24 Q Did you ever go back to

1 A This letter was signed by
 2 in-house counsel. I certainly assisted with
 3 gathering information and helping to prepare
 4 this.

5 Q And you are here today prepared
 6 to talk on behalf of Angelo Gordon with
 7 respect to the matters raised in this letter,
 8 correct?

9 A Yes.

10 MR. PEES: With the exception of
 11 attorney/client communications of
 12 course.

13 Q Skipping down to the itemized
 14 discussions about the particular securities,
 15 first is Crest 2003-1A security we were
 16 discussing before the break, and the letter
 17 states the second -- looking at the second
 18 sentence, "the second consecutive payment
 19 deferral took place on 2/28/2011 and,
 20 consequently, the first time the security
 21 could have been classified as a deferred
 22 interest PIK bond was in the 3/25/11
 23 payment", do you see that?

24 A I see is that.

1 determine whether that had been done?

2 A I don't remember.

3 (Whereupon, Solomon 9, Payment
 4 Report, was marked by the reporter for
 5 identification.)

6 Q The court reporter just handed
 7 you what has been marked as Exhibit 9, does
 8 this appear to you to be the May 2010 payment
 9 report for the Cedar Woods II deal?

10 A Yes.

11 Q Page 65 is the list of non
 12 performing assets, do you see that?

13 A I do.

14 Q Do you see any classes of the
 15 LBUBS 2007-C1?

16 A No, I do not.

17 Q You would agree that they should
 18 have been included on the list of non
 19 performing assets in the May 2010 report?

20 A Yes.

21 Q When did it come to your
 22 attention that the LBUBS 2007-C1 securities
 23 should have been classified as defaulted
 24 securities in the May 2010 payment report?

1 A Certainly as part of the
 2 drafting of this letter. I don't recall if
 3 it had come to my attention prior to that.
 4 Q If it had come to your attention
 5 prior to that what would you have done?
 6 MS. BEHRENS: Objection.
 7 A I'm not sure. I think it
 8 depends on the context, and it probably would
 9 have been a matter of having an internal
 10 discussion with counsel just to see how they
 11 would recommend to proceed.
 12 Q At the very least would it have
 13 impacted the fee that Angelo Gordon received
 14 on the May 2010 payment date, correct?
 15 MS. BEHRENS: Objection.
 16 A Had these been classified as
 17 defaulted, yes, I believe it would have.
 18 Q So we now identified at least
 19 three months, May 2010, March 2011 and
 20 April 2011 where Angelo Gordon was paid the
 21 excessive fees?
 22 MS. BEHRENS: Objection.
 23 A The term "excessive" I don't
 24 think --

1 was marked by the reporter for
 2 identification.)
 3 Q The court reporter handed you
 4 what has been marked as Exhibit 10, which is
 5 an e-mail string, the top e-mail is an e-mail
 6 from you to Rick Finger on August 30, 2011,
 7 subject matter "How are you doing?"
 8 I wanted to draw your attention
 9 to the part of the string where you are
 10 writing to Mr. Finger on August 30, 2011, at
 11 7:35 a.m., do you see that?
 12 A I do.
 13 Q Were you on vacation at the time
 14 you wrote this?
 15 A Yes.
 16 Q What is the reporting structure
 17 as between you and Mr. Finger, do you work
 18 for him or vice versa?
 19 A He works for me.
 20 Q In the second paragraph of that
 21 part of the e-mail string you state "One
 22 thing to let you know about is that Barclays
 23 has told Lasalle to declare an EOD in C Wood
 24 II", is that the Cedar Woods II transaction?

1 Q By "excessive" I mean in excess
 2 of what you were entitled to?
 3 A I would agree with that.
 4 Q As of today has Angelo Gordon
 5 remitted any of its -- the prior fees it
 6 received on the Cedar Woods II transaction to
 7 the Trustee?
 8 A We have not.
 9 Q And why is that?
 10 A Again, it's a function of the
 11 fact that this is a deal that is in
 12 litigation.
 13 Q And then come down to six, the
 14 CD -- 2006-CD2 Class E you state -- the
 15 letter states "We do not dispute that the
 16 securities should have been classified as a
 17 defaulted security in the 6/27/11 payment
 18 report"?
 19 A Correct.
 20 Q And in fact it was not
 21 classified as a defaulted security in that
 22 report, correct?
 23 A I believe that's true.
 24 (Whereupon, Solomon 10, E-mail,

1 A Yes.
 2 Q "LaSalle thinks the controlling
 3 class has no standing to do this, and that
 4 the reason given is questionable at best".
 5 Had you spoken to somebody at
 6 LaSalle about the situation regarding Cedar
 7 Woods II?
 8 A When I say Lasalle or I wrote
 9 Lasalle here it is the Trustee, which at the
 10 time was U.S. Bank.
 11 Again, the when the deal started
 12 Lasalle actually acted as the Trustee, but in
 13 this case I was referring to U.S. Bank or the
 14 Trustee.
 15 Q And had someone at U.S. Bank
 16 told you that the reasons given by Barclays
 17 for declaring an event of default were quote,
 18 questionable at best?
 19 A I believe so.
 20 Q Who was that?
 21 A I believe it was in discussions
 22 with Adam Jacobs.
 23 Q What else do you recall
 24 discussing with Mr. Jacobs?

1
2 A I think this pretty well
3 summarizes it. I don't recall other aspects
4 of that conversation.

5 Q So based on your understanding,
6 the Trustee wasn't taking this contention
7 that was raised by Barclays seriously?

8 MS. BEHRENS: Objection.

9 MR. VENKATAKRISHNAN: Objection
10 to form.

11 A I don't think that is an
12 accurate description. I think they were
13 taking it seriously and what the Trustee was
14 doing, encouraging me to speak directly to
15 Barclays.

16 (Whereupon, Solomon 11, E-mail,
17 was marked by the reporter for
18 identification.)

19 Q The court reporter handed you
20 what has been marked as Exhibit 11, which is
21 an e-mail from you to Mr. Jacobs and
22 Mr. Scott at U.S. Bank, dated September 21,
23 2011, subject "Response", was this an e-mail
24 that you drafted and sent to Mr. Jacobs and
25 Mr. Scott at U.S. Bank?

1
2 A There are a couple of reasons
3 outlined here. One, we believe that doing
4 this would be the sort of thing that would
5 result or could result in a downgrade of the
6 notes.

7 Q Why was that?

8 A A failure to make scheduled
9 interest payments, or just going ahead and
10 escrowing funds I think is the sort of thing
11 that I expected would get the attention of
12 the rating agencies, both Moody's and S&P,
13 and I thought it would be likely that just
14 that action alone could result in a downgrade
15 of some of the bonds.

16 The Cedar Woods CDO liabilities,
17 not the underlying securities.

18 Q In the fourth paragraph, second
19 sentence, "Failure to make timely payments by
20 one or both rating agencies which in turn
21 will result in decline and value of the
22 notes", is that what you were referring to?

23 A Yes.

24 Q The failure to pay principal to
25 holders may result in a downgrade of the

1
2 A It certainly appears like I sent
3 it. I'm not sure whether I drafted it by
4 myself or in conjunction with Alan Krinsman.

5 Q At this point in time did you
6 understand that U.S. Bank was proposing to
7 commence escrowing funds out of the Cedar
8 Woods II transaction until the contentions
9 with Barclays were resolved?

10 A Let me --

11 Q Go ahead.

12 A Okay.

13 Q At the time of this e-mail in
14 September 21, 2011, did you understand that
15 the Trustee was proposing to commence
16 escrowing funds flowing from the Cedar Woods
17 II transaction?

18 A Yes.

19 Q In this e-mail were you -- was
20 Angelo Gordon voicing its objection to that
21 procedure?

22 A We were.

23 Q What was the reason why Angelo
24 Gordon was objecting to the escrowing of
25 funds?

1
2 notes is that fair, based on your
3 understanding of the way the rating agencies
4 operate?

5 A I think that's possible. I
6 think just the act of escrowing payments is a
7 high profile decision that would get the
8 rating agencies attention, and likely result
9 in a downgrade.

10 Q Were there other reasons why
11 Angelo Gordon objected to the escrowing
12 process that was being proposed by the
13 Trustee?

14 A Yeah, the second reason that we
15 outline here is a prohibition on us as the
16 collateral manager from being allowed to
17 execute trades, purchases or sales.

18 I'm not sure that is one in the
19 same as the escrowing, but around this time
20 we were told essentially the deal is being
21 frozen and you as the collateral manager
22 can't buy or sell any securities out of this
23 transaction, period, until this is resolved.

24 So we took some objection with
25 that and we thought that could potentially

1
2 page 170, am I right that 11.1 deals with the
3 waterfall for interest collections, correct?

4 MS. BEHRENS: Objection.

5 A Correct.

6 Q And the provisions of 11.1 roman
7 numeral one, for the next couple of pages
8 through 23, that is the waterfall for
9 interest collections?

10 The waterfall that is for the
11 applied interest collections?

12 A Priority payments.

13 Q If you look at Section 11.1
14 romanette 16 on page 172, it states "If
15 either of the Class D/E coverage tests is not
16 satisfied as of the preceding calculation
17 date to pay principal as provided under the
18 terms of such notes", skipping a little, "of
19 the most senior class of notes then
20 outstanding until such Class D/E coverage
21 test is satisfied, as of such calculation
22 date", et cetera.

23 Do you understand that that
24 provision, romanette 16, requires interest
25 collections that flow down to this point in

1 notes, and instead was used to pay items on
2 the waterfall that are listed below romanette
3 -- 11.1a, 11.1a16, for example, the
4 subordinated collateral managers fee, could
5 this section have been complied with, this
6 section of the waterfall 11.1a16?

7 MR. PEES: Objection.

8 MS. BEHRENS: Objection.

9 A I don't know.

10 Q Let me make sure that the
11 objections to my lengthy but otherwise clear
12 question, I will break it into some smaller
13 pieces.

14 Let's take December 2010, and
15 let's posit hypothetically the Class D/E
16 coverage test was failing but the payment
17 report indicated that it was passing, and as
18 a result payments were made, for example,
19 under 11.1a22 on page 173, to pay the
20 subordinate collateral management fee, and
21 that payments were not made under 11.1a16 to
22 pay down principal to the most senior class
23 of notes outstanding; would you agree in that
24 circumstance the waterfall was violated?

1 the waterfall to be directed to pay down
2 principal on the senior most outstanding
3 class of notes, in this case the class A-1
4 notes until the test is passing?

5 MR. PEES: Objection to the
6 form.

7 A I do see that.

8 Q Could that section be complied
9 with if those payments were not made, if the
10 payments of interest collections that made it
11 down this far in the waterfall were not used
12 to pay down principal in the most senior
13 class of notes outstanding?

14 MS. BEHRENS: Objection.

15 MR. GEREMIA: Objection.

16 MR. PEES: Objection.

17 Q Assuming the coverage test was
18 failing?

19 A Can you repeat that question?

20 Q Assume the Class D/E coverage
21 test was failing on a particular month, say
22 December 2010, if in that month the interest
23 collections were applied in a way that did
24 not pay down principal to the class A-1

1 MR. PEES: Objection.
2 MS. BEHRENS: Objection.
3 MR. GEREMIA: Objection.

4 A Again, I'm not sure.

5 Q Well, was there compliance in
6 that scenario, was there compliance with
7 11.1a16?

8 MR. PEES: Objection.

9 MS. BEHRENS: Objection.

10 A I'm not sure.

11 Q What is the source of your --
12 what is it that you are not sure about?

13 MR. PEES: Objection.

14 Q Let me withdraw that.

15 If the waterfall provision of
16 Section 11.1a requires a payment to be made
17 to the class A-1 noteholders to pay down
18 principal and that payment was not made,
19 isn't that a violation of Section 11.1a?

20 MR. PEES: Objection.

21 MS. BEHRENS: Objection.

22 A You know, again, I'm not sure.
23 This letter dated September 22nd was signed
24 by in-house counsel, drafted by counsel, and

1
2 it is our position in order for there to have
3 been an event of default under 5.1c the
4 payments would have needed to have been made
5 in a manner that was inconsistent with what
6 was in the payment report.

7 Q And sitting here today you can't
8 explain why that would be the case?

9 MR. PEES: Caution the witness
10 not to reveal any attorney/client
11 communications.

12 A This is a determination that
13 Angelo Gordon came to in consultation with
14 counsel.

15 Q So you are here on behalf of
16 Angelo Gordon to testify about Angelo
17 Gordon's evaluation concerning any event of
18 default alleged under the indenture; and
19 sitting here today as Angelo Gordon's
20 representative is it your position that you
21 can't explain why there is not an event of
22 default if a payment that is required to be
23 made under Section 11.1a16 is not made?

24 MR. PEES: Objection, 30(b)6 is
25 not an invitation to reveal a privilege.

1
2 were made in the determination of the
3 coverage tests, the indenture expressly
4 provides that such errors may be corrected in
5 a reasonable period of time before an event
6 of default would occur", do you know where
7 does that appear in the indenture?

8 A I believe there was a number of
9 different places within the events of default
10 that talk about remedies as well as timing.

11 Q Well, looking back at 5.1c on
12 page 102, do you see any detailed provisions
13 -- strike that.

14 Looking at Section 11 -- strike
15 that.

16 Looking at Section 5.1c do you
17 see any provision that expressly provides
18 that violations of the waterfall may be
19 corrected within a reasonable period of time
20 before an event of default would occur?

21 A There is language in here that
22 talks about five business days.

23 Q Do you see anything else?

24 A In 5.1c, no.

25 Q Are you aware of any other

1
2 A I cannot recall the nuances of
3 this determination in the conversations we
4 had with internal counsel and external
5 counsel.

6 Q Is that Angelo Gordon's position
7 today?

8 MR. PEES: That is Angelo
9 Gordon's position.

10 Q Can you personally explain --
11 can you personally provide any explanation --
12 setting aside your communications with
13 counsel as to how it could be that a payment
14 is not made that is required by Section
15 11.1a16 that is not made is not a violation
16 of 11.1?

17 MR. PEES: Objection.

18 MS. BEHRENS: Objection.

19 A No.

20 Q Going back to -- do you have
21 Jacobs Exhibit 16 in front of you, the
22 September 22nd letter?

23 A Yes.

24 Q The last paragraph on the first
25 page of this letter states "If any errors

1
2 provisions that would address the time period
3 for correcting a failure to comply with the
4 waterfall?

5 A Again, through other parts of
6 the definition of defaulted security, and
7 discussions of remedies, there are a number
8 of other places in there that have some
9 different day counts, different periods.

10 Q Are you thinking of something in
11 particular?

12 A I'm looking through all the
13 various definitions of events of default, and
14 so there is talk about 30 days, 90
15 consecutive days.

16 Q How long do you think it has
17 been since you -- since it came to your
18 attention that the CD 2006-CD3 bonds had been
19 improperly characterized as performing in the
20 March 2011 payment report?

21 A Well, certainly since the letter
22 that we sent dated October 11th of 2011.

23 Q How long do you think it has
24 been since you became aware that the LBUBS
25 2007-C1 classes C, D and H should have been

1 but were not classified as defaulted
 2 securities in the May 2010 payment report?
 3 A Same answer. Since October 11,
 4 2011.
 5 Q And possibly earlier?
 6 A Correct.
 7 Q How long do you think it has
 8 been since you were aware that the Crest
 9 2003-A1 security should have been but was not
 10 characterized as a deferred interest PIK
 11 bond in the March 2011 payment report?
 12 A Same answer, certainly since
 13 October 11, 2011.
 14 THE VIDEOGRAPHER: The time is
 15 4:16 p.m. Going off the record.
 16 (A short break is taken.)
 17 THE VIDEOGRAPHER: The time is
 18 4:30 p.m. Back on record.
 19 Q The court reporter handed you
 20 what has been marked as Exhibit 12, which is
 21 a document bearing control number AGCWII
 22 0143308 through 143384.
 23 (Whereupon, Solomon 12,
 24 Document, Bates stamped AGCWII 0143308

1 phone number, do you know who that is?
 2 A No, I don't.
 3 Q The handwriting on the top, can
 4 you read any of that?
 5 A I can't. I cannot.
 6 Q In connection with collecting
 7 documents in connection with this litigation,
 8 did you review hardcopy documents that you
 9 had accumulated related to the Cedar Woods
 10 deal and turn them over to counsel?
 11 A I collected any hardcopy
 12 documents I had and handed them over to
 13 counsel.
 14 Q If you turn to page 64, there is
 15 two entries that are circled, this is the
 16 page that is dealing with rating detail; am I
 17 right that this is the section of the report
 18 where the current ratings of the collateral
 19 held by the CDO are reported?
 20 A Correct.
 21 Q The two entries that are circled
 22 are -- the first is WBCMT 2005-C18F, and
 23 second is WBCMT 2005-C18G, do you see those?
 24 A I do.

1 through 143384, was marked by the
 2 reporter for identification.)
 3 Q Which appears to be a note
 4 valuation report for the Cedar Woods II
 5 transaction, dated as of 21 December 2010; is
 6 that fair?
 7 MS. BEHRENS: Were the
 8 handwritten notes on the document as
 9 produced?
 10 MR. MALLOY: We will get to
 11 that.
 12 A Yes.
 13 Q The answer is yes.
 14 Do you know -- can you tell from
 15 looking at this whether this is a draft or
 16 final version?
 17 A I cannot tell.
 18 Q Do you recognize the handwriting
 19 on the front?
 20 A Yes, that looks like my
 21 handwriting.
 22 Q Who -- does that say Jackie?
 23 A Yes.
 24 Q Do you recognize that name and

1 Q And the entries that are circled
 2 are the -- under the column status and date,
 3 does it look like that is something you
 4 circled yourself?
 5 A It does.
 6 Q Do you have any recollection as
 7 to why you circled those two entries?
 8 A I'm not sure.
 9 Q The entries that are circled
 10 it's -- one is under the column status both
 11 to say -- well, for the Class F bond the
 12 current Moody's rating is BA3; is that right?
 13 A It's reported as BA3, correct.
 14 Q And Class G is reported as B2?
 15 A Yes.
 16 Q And the status which is one of
 17 the items circled is CW minus, is that on
 18 credit watch by Moody's; is that right?
 19 A Yeah, credit watch would have
 20 negative implications.
 21 Q What does that mean?
 22 A Moody's is reviewing the
 23 transaction and it is likely that their
 24 review will result in a downgrade of the

1
2 Class F and G bonds. The bond is on review
3 for possible downgrade.

4 Q It had been since October 28,
5 2010?

6 A Yeah, according to this report.

7 Q If a bond is on a ratings watch
8 with negative implications, is that something
9 that you would keep an eye out for as a
10 collateral manager?

11 A Not necessarily.

12 Q When would you keep an eye out
13 for the downgrade that is anticipated by that
14 kind of notation?

15 A Very early on in the life of
16 this deal before a number of the collateral
17 quality tests were breached, the implications
18 of a downgrade of a bond were more
19 significant.

20 We looked at an earlier
21 remittance report that had showed, I believe,
22 three pages of rating activity or down grades
23 that had taken place in a one month period,
24 so in 2009, 2010 and 2011 literally thousands
25 of securities were being downgraded.

1
2 So to have two securities that
3 were on credit watch negative, in and of
4 itself wouldn't necessarily cause alarm.

5 Q Is it something that you or
6 somebody else at Angelo Gordon would have
7 monitored for further down grades?

8 A It's possible, but not
9 necessarily the sort of thing that we would
10 be tracking day by day.

11 Q And the ratings detail starts on
12 page 56 of this report, by my count I see two
13 other bonds that are on credit watch with
14 negative implications, aside from the two
15 bonds, does that sound right?

16 A I see the two that you are
17 referring to. I'm just checking to see if
18 there are any more.

19 Not that I see. So I would
20 agree with that.

21 Q So at this stage in the security
22 there weren't torrents of bonds being put on
23 ratings watch, is that fair to say?

24 MS. BEHRENS: Objection.

25 A Go to 53, 54 and 55, these are a

1
2 listing of all the securities that had rating
3 changes during this period.

4 Q During the prior period --

5 A Just this month.

6 Q In December?

7 A Correct.

8 Q Did it come to your attention
9 that the two WBCMT bonds, 2005-C18F and G had
10 also been downgraded in December 2010 prior
11 to the issuance of this report?

12 MR. PEES: Objection.

13 A No, I believe that I found out
14 that those bonds had been downgraded as part
15 of reading the Affidavit related to this
16 dispute.

17 Q So sitting here today you have
18 no recollection of why you circled those two
19 bonds on this report?

20 A I don't know when I made that
21 circle, and it very easily could have been
22 after reading the Affidavit related to this,
23 where I went back to the copy of the
24 remittance report that I had and went ahead
25 and circled that.

1
2 Q Do you recall -- did you go away
3 for the holidays in December 2010, were you
4 out of the office?

5 A I'm not sure.

6 Q Is it your practice to go out of
7 the office at the end of December?

8 A No, it really depends.
9 Sometimes it is, sometimes it's other members
10 of my team that are taking that week of
11 vacation.

12 Q Is it possible that you had
13 learned of the downgrade of the two WBCMT
14 2005-C18 bonds in December or maybe January?

15 A I don't believe so.

16 Q Well, let's say hypothetically
17 you had caught that error after the note
18 report was published, what would you have
19 done?

20 A It would have been a
21 conversation that I would have had with
22 counsel.

23 I'm sure there would have been
24 talk of context and what the implications
25 would be for bonds that were reported with

1 ratings that were inconsistent with what the
 2 actual rating is, but I'm not sure what we
 3 would have done if we had determined that
 4 there were errors.
 5

6 Q Would you have -- if you turn to
 7 page 14, as of 21 December 2010 the Class D
 8 coverage test ratio was reported at
 9 103.04 percent and passing is 1023.5 percent,
 10 correct?
 11

A Correct.
 12

Q If you had learned of -- that
 13 two securities -- well, strike that.
 14

Do you know what the principal
 15 amount of the WBCMT-2005-C18 bonds were?
 16

A Go to page 42. Middle of the
 17 page, 9.5 million for the F's and 1 million
 18 for the G's.
 19

Q That is 11-and-a-half together?
 20

A Ten-and-a-half.
 21

Q Correct, ten-and-a-half.
 22

Is that a significant size
 23 investment for the Cedar Woods deal?
 24

A A \$9.5 million investment is one
 25 of the larger line items that are in this

1 we would request back up from the Trustee in
 2 determining how the calculation was made.
 3

4 Q And the -- how would the
 5 downgrade of the two WBCMT bonds, let's say
 6 they had -- you agree that they were in fact
 7 downgraded in December 2010?
 8

A Yeah, I believe that is correct.
 9

Q And you verified that?
 10

A Yes.
 11

Q And they were not correctly
 12 reported in the December 2010 payment report?
 13

A I believe that's correct also.
 14

Q How would they have impacted the
 15 coverage tests?
 16

A Let's take them one at a time.
 17 The Class F's were rated BA 3BB.
 18

And if you go to page 14, the
 19 principal coverage test that would fall into
 20 the BB bucket, that is the less 10 percent
 21 reduction.
 22

There is some nuances to it in
 23 terms of in excess of 40 percent, but we are
 24 over that hurdle.
 25

There is also talk about after

1
 2 deal.
 3

Q So if you had learned say in
 4 January that those two bonds had been
 5 downgraded would you have evaluated the
 6 affect on the principal coverage tests --
 7 would you have gone back to evaluate whether
 8 that would have impacted the principal
 9 coverage tests in the prior month?
 10

MS. BEHRENS: Objection.
 11

MR. PEES: Objection.
 12

Q Assuming hypothetically you had
 13 caught this error in January?
 14

A I think that is a reasonable
 15 assumption. I mean, it is a hypothetical but
 16 yeah, when we are told of errors or potential
 17 errors, it is reasonable to check what the
 18 magnitude of that error might be or what the
 19 implications might be.
 20

Q Are there other circumstances
 21 where you would look into the status of the
 22 coverage tests on an inter period basis?
 23

A Sure. Like I mentioned earlier,
 24 if there were changes that we didn't expect
 25 or no changes when we would have expected it,

1 you have done some of the earlier haircuts,
 2 but in general roughly speaking they were --
 3 a 10 percent haircut was applied to that
 4 principal balance.
 5

6 So in the base of a \$9.5 million
 7 bond it was being treated for the purpose of
 8 this test as being worth 8.55, I think.
 9

I don't recall what that
 10 security was downgraded to.
 11

Q Well, if you assume that it was
 12 downgraded to CA3 what would the impact have
 13 been?
 14

MS. BEHRENS: Objection.
 15

A Assuming that is what the
 16 downgrade was, it would fall into the
 17 40 percent haircut bucket for a bond that is
 18 rated CCC.
 19

So your difference in the
 20 haircut between what was applied and what
 21 would have been applied is 40 minus 10,
 22 30 percent.
 23

Q So it would have been reduced by
 24 a further 30 percent in the coverage amount?
 25

A Correct.

1
2 Q Assume the Class G was
3 downgraded to CA, that would have made it a
4 defaulted security, correct?

5 A Correct.

6 MS. BEHRENS: Objection.

7 Q So it would have impacted the --
8 on page 14 are you referring to the section
9 that is reference to the ratings, is that the
10 haircut section?

11 A Yes.

12 (Whereupon, Solomon 13, E-mail,
13 Bates stamped AGCWII 0111319, was marked
14 by the reporter for identification.)

15 Q The court reporter just handed
16 you what has been marked as Exhibit 13, which
17 is a document bearing control number -- an
18 e-mail bearing control number AGCWII 0111319,
19 and it is from Moody's Alerts to you dated
20 December 10, 2010, do you see that?

21 A I do.

22 Q This an e-mail that you
23 received?

24 A I believe so.

25 Q And this was an alert from

1
2 and it goes on to say portfolio name Cedar
3 Woods CDO II, do you see that?

4 A I do.

5 Q Did you set up an alert with
6 Moody's to provide you with e-mails like this
7 alerting you of down grades of securities
8 that are held by the Cedar Woods CDO II?

9 A We certainly did at the issuance
10 of this transaction, at the start of this
11 CDO.

12 Q You had a subscription to
13 Moody's, correct?

14 A We did.

15 Q So if you had clicked through on
16 this e-mail would you have been able to look
17 at the details of the down grades?

18 A I believe so, yes.

19 (Whereupon, Solomon 14, Exhibit
20 RR, was marked by the reporter for
21 identification.)

22 Q The court reporter handed you
23 what has been marked as Exhibit 14, which is
24 Exhibit RR to the declaration of Jake
25 Scrivens, which attaches Moody's investor

1 Moody's advising you that nine classes of the
2 WBCMT 2005-C18 structure had been downgraded?

3 A Correct.

4 Q Is this something you would have
5 read at the time when it came in?

6 A Possibly. We looked at the
7 number of rating actions that took place in
8 this month, so it is likely this is one of up
9 to a hundred e-mails that were coming in from
10 Moody's over this monthly period.

11 Q Do you share these alerts with
12 others on your staff?

13 A I'm not sure others on the staff
14 get these e-mails directly. I believe one of
15 the people working with me does, but I'm not
16 certain.

17 MR. MALLOY: To the extent that
18 anyone else received an alert of this
19 nature we ask for its production.

20 MR. PEES: Take it under
21 advisement.

22 Q The body of the alert states
23 "you received this e-mail because you
24 currently have an alert set up as follows",

1 services rating action dated 10 December 2010
2 related to the WBCMT 2005-C18 bonds; is that
3 an accurate characterization of this
4 document?

5 A Yes.

6 Q And you would agree that this
7 report reflects the downgrade of the Class F
8 bond to CAA3?

9 A Yes.

10 Q And the down grade of the Class
11 G bond to CA.

12 A Yes.

13 Q Do you recall going back to
14 determine the impact on the coverage tests of
15 applying those two downgrades if they had
16 been applied correctly to December 2010 how
17 that would have impacted the coverage ratios?

18 A Yes.

19 Q What did you determine?

20 A That the magnitude of those down
21 grades I believe would have caused the Class
22 D/E coverage ratio to have breached that
23 limit or it would have caused that test to
24 have been failed.

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1 Q Did you advise the Trustee of
 2 that determination?
 3

4 A No.
 5

6 Q Did you take any steps in
 7 response to that determination?
 8

9 A No.
 10

11 Q When did you make that
 12 determination?
 13

14 A After -- shortly after reviewing
 15 this Scrivens' Affidavit.
 16

17 Q That would have been in
 18 March 2012?
 19

20 A That sounds like roughly the
 21 right time, yeah.
 22

23 Q So approximately four months
 24 ago?
 25

A Correct.
 1

2 Q What would the impact have been
 3 if the Class D/E coverage test was failing in
 4 December of 2010?
 5

MS. BEHRENS: Objection.
 6

7 Q On the payments that were made
 8 in that month?
 9

MS. BEHRENS: Objection.
 10

1 principal collection account would have been
 2 paid out to the A-1 class as well, as opposed
 3 to being available for purchase of additional
 4 securities after the cut off.
 5

6 Q So that is the line 14a,
 7 \$1,257,775?
 8

A Correct.
 9

Q All or part of that would have
 10 had to been applied to pay principal on the
 11 A-1 notes?
 12

A I believe all of it would have,
 13 yes.
 14

Q The funds that were paid to
 15 Angelo Gordon, the \$2,278,808, has Angelo
 16 Gordon returned that to the Trustee?
 17

A We have not.
 18

Q Why not?
 19

A Again, the deal is in escrow and
 20 subject to litigation.
 21

Q How does that explain -- you
 22 would agree sitting here today that that
 23 \$202,000 was not a payment that Angelo Gordon
 24 was entitled to?
 25

A Yeah, I would agree.
 1

Page 202
 2 A Look at Solomon 12. December
 3 payment report. On page seven, sorry, page
 4 six, the payment of interest to the Class C
 5 of 9,500 still would have been made, but then
 6 the next line down, XVI either the Class D/E
 7 coverage tests are not satisfied any excess
 8 cash flow would have been directed to pay
 9 down the A-1s; so that is roughly \$31,000
 10 that was paid to the Class F.
 11

\$221,000 that was paid to Angelo
 12 Gordon as a subordinate collateral management
 13 fee, and \$333,000 that was paid to the
 14 equity.
 15

Q Did Angelo Gordon own the equity
 16 at the time?
 17

A No.
 18

Q So those three amounts, \$31,224,
 19 \$220,808 and \$330,638, those three lines
 20 cumulatively should have been applied on line
 21 16 to principal of the Class A notes?
 22

A Correct.
 23

Q Would there have been an impact
 24 on the principal side?
 25

A Yes, amounts that were in the
 1

2 Q So why does the pendency of this
 3 litigation explain Angelo Gordon's failure to
 4 pay that fee back to the Trustee?
 5

MR. PEES: Objection.
 6

A It is a determination that we've
 7 made internally and in consultation with
 8 counsel.
 9

(Whereupon, Jacobs 37, Document,
 10 previously marked was shown to the
 11 witness.)
 12

Q The court reporter handed you
 13 what has been previously marked as Jacobs 37,
 14 January 19th -- January 2011 payment --
 15 valuation report for the Cedar Woods II deal,
 16 does that appear to be what this is?
 17

A Yes.
 18

Q If you turn to page 61, do you
 19 see the two WBCMT bonds are listed at their
 20 now correct ratings?
 21

A I do see that.
 22

Q CCA3 and CAA respectively.
 23

Where a security is downgraded
 24 and that downgrade is reflected for the first
 25 time in a particular payment report, is there
 1

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1 another section where it is discussed as
 2 well, the downgrade?
 3

4 A Typically the down grades that
 5 take place within a particular month are
 6 detailed in the rating change history
 7 section, I believe it is on page 52.

8 Q Okay.

9 The two WBCMT 2005-C18 bonds are
 10 not reflected on page 52 are they?

11 A That's correct.

12 Q Do you know why -- do you have
 13 any information about why they were omitted
 14 from the section, the rating change history
 15 section of this report?

16 A I don't.

17 (Whereupon, Solomon 15, E-mail,
 18 Bates stamped AGCWII 0112928 through
 19 112930, was marked by the reporter for
 20 identification.)

21 Q The court reporter handed you
 22 what has been marked as Exhibit 15.

23 Which is an e-mail -- it is a
 24 document -- an e-mail bearing control number
 25 AGCWII 0112928 through 112930, with some

1 A I believe so.

2 Q This is a spreadsheet -- if you
 3 wanted to recalculate the coverage test
 4 yourself counting for the downgrade in WBMCT
 5 bonds this is a spreadsheet that would aid
 6 you in that calculation?

7 A Yeah, that's fair.

8 Q Sitting here today do you have a
 9 recollection that that was why you were
 10 asking for these spreadsheets?

11 A No, I don't recall that being
 12 the reason.

13 Q Do you recall the reason why you
 14 were asking for these spreadsheets?

15 A I'm not sure. Looking at the
 16 earlier remittance report the coverage test
 17 on -- the Class D/E level was close, so that
 18 again would be the sort of thing where we
 19 would want to make sure that we were tying
 20 out with the Trustee of how the calculation
 21 was being done.

22 Q At that point, by January 5th,
 23 the December report had already been
 24 published, right?

1 attached spreadsheets that we attempted to
 2 printout.

3 The e-mail is an e-mail from
 4 Mr. Idikkula, he is at U.S. Bank; is that
 5 correct?

6 A Correct.

7 Q To you, attaching these
 8 spreadsheets, also copied some other people.

9 He is writing in response to
 10 your e-mail in the middle of the first page
 11 dated January 5, 2011?

12 A Um-hum.

13 Q And you say in the second
 14 paragraph, "Also would it be possible for you
 15 to send over a copy of the most recent
 16 detailed OC calc in Excel", and then in
 17 parentheses you say "the one with the
 18 haircuts, et cetera, as of the prior cut off
 19 is fine", do you see that?

20 A Yeah.

21 Q The spreadsheets he is
 22 attaching, are these the spreadsheets that
 23 U.S. Bank uses to calculate the coverage
 24 tests?

1 A Correct.

2 Q So why would you have been
 3 looking at the prior month's coverage test
 4 calculations on the fifth of the next month?

5 A Again, I'm not sure. It's not
 6 unusual for us to be looking at these
 7 calculations intra month.

8 (Whereupon, Solomon 16,
 9 Document, Bates stamped AGCWII 0120200,
 10 was marked by the reporter for
 11 identification.)

12 Q The court reporter handed you
 13 what has been marked Exhibit 16, which is the
 14 first document that bears control numbers
 15 AGCWII 0120200, and attaches a series of
 16 spreadsheets that we've attempted to printout
 17 in a legible fashion, I hope we succeeded.

18 The e-mail is from Mr. Finger to
 19 Tom Idikkula at U.S. Bank, and the message is
 20 -- it says "Subject: C Wood II trade log",
 21 and the text is "Today's C Wood II purchased
 22 600,000 LBUBS 2007-C7", do you see that?

23 A I do.

24 Q The attachment, is this the

1 certainly could be interpreted in the fashion
 2 that I was trying to articulate, but that it
 3 would also be a change in what is done --
 4 what had been done historically.

5 And without a real compelling
 6 reason to do it, their advice was, you know,
 7 do not change what has been done already.

8 If you want to do it, if you
 9 direct us to do it, I believe it was
 10 something they said they wouldn't refuse but
 11 their feeling was -- it was not advisable to
 12 make changes to the way this calculation was
 13 being done four years into the life of the
 14 deal.

15 Q Did you direct them to make this
 16 change that you are suggesting in this
 17 e-mail?

18 A No, I didn't. I directed them
 19 to continue to do the calculation as it had
 20 been done for the prior four years, over the
 21 life of the deal.

22 Q Why was that?

23 A I agreed with their
 24 interpretation of the document, and their

1 Q Is it Angelo Gordon's position
 2 that the principal coverage amount should be
 3 calculated the way that is reflected in this
 4 e-mail, or the way that you have directed the
 5 Trustee to continue to perform it back in
 6 September of 2010?

7 A Again, I think it's unclear in
 8 the indenture that it could be interpreted
 9 either way, but after discussing the issue
 10 with the Trustee we are fine with the way
 11 it's being calculated today, which is the way
 12 it has always been calculated.

13 Q Turn to page 47 of Aldama 14,
 14 the indenture.

15 Does the discussion here relate
 16 to part three of that -- the proviso to the
 17 definition of principal coverage ratio --
 18 principal coverage amount?

19 A I believe it is, yes.

20 Q Can you explain what the change
 21 is that you wanted -- that you were at least
 22 proposing in this e-mail?

23 A Okay. This is a second order
 24 haircut, meaning that it is a haircut that is

1 recommendations.

2 Q Do you have Aldama Exhibit 14 in
 3 front of you?

4 A Yes.

5 Q Turn to page 46, there is a
 6 definition of principal coverage amount.

7 Are these the definitions of
 8 ratings haircuts we discussed a couple of
 9 times today?

10 A Yes.

11 Q What is the change that you were
 12 suggesting in this e-mail, did it relate to
 13 this definition?

14 A Yes, they are.

15 Q Is it Angelo Gordon's position
 16 today that the OC test should be calculated
 17 the way the Trustee was calculating or that
 18 it should have been calculated in accordance
 19 with the method outlined in this e-mail that
 20 has been marked as Exhibit 17?

21 A I think the indenture, the
 22 document is unclear.

23 MR. PEES: For clarity of the
 24 record the e-mail is Exhibit 18.

1 made after you already have the earlier
 2 haircuts calculated, and it is one that we
 3 talked about earlier, where it says what
 4 percentage of the pool has a particular
 5 rating low enough that it is over 40 percent
 6 of the CDS principal balance.

7 Q Is that after a reduction for
 8 defaulted securities and written down
 9 securities and deferred interest PIK bonds?

10 A Yeah, I believe so.

11 Q And that is the way you think it
 12 should be done?

13 A I think that is the way it
 14 should be done. I think that is the way it
 15 is being done.

16 Q And the 40 percent is 40 percent
 17 of what?

18 A Well, that's what we are
 19 questioning here. If you look in my e-mail,
 20 that second to last paragraph, what I'm
 21 saying is that I think -- equal cell C8 and
 22 the haircut should not apply to the
 23 denominator.

24 It's not the summary principal

1 coverage tab, it's the next one, the big
 2 file.
 3 If you look up there there is D8
 4 and C8. So 40 percent of what -- I'm saying
 5 it's 40 percent of the CDS principal balance,
 6 which is a defined term; which I believe in
 7 this case would have been \$829 million, but
 8 the calculations being done based on a
 9 haircut CDS principal balance, a lower
 10 balance, it's being done based on the \$755
 11 million.

12 Q Right, and looking back at the
 13 indenture it's being done based on the \$829
 14 after giving effect to one and two above, the
 15 first two ratings haircuts?

16 A Correct.

17 Q And your proposal was to read
 18 that language as not being there?

19 A My proposal was that the CDS
 20 principal balance --

21 Q Just use the CDS principal
 22 balance without giving effect to the
 23 parenthetical?

24 A Yeah, I believe that's the way

1 that I was interpreting it.
 2 To say it another way, that

3 parenthetical relates to the numerator, and
 4 that the denominator is a defined term is a
 5 CDS principal balance.

6 Q So how would the parenthetical
 7 come into play?

8 A You use the haircut for the
 9 percentage of the pool that's rated below
 10 investment grade; so BA1, BB+, that amount
 11 has been haircut already, that is what the
 12 parenthetical is referring to, it's not
 13 referring to the defined term of CDS
 14 principal balance.

15 THE VIDEOGRAPHER: The time is
 16 6:08 p.m. Going off the record.

17 (A short break is taken.)

18 THE VIDEOGRAPHER: The time is
 19 6:23 p.m. Back on the record.

20 (Whereupon, Aldama 27,
 21 Collateral Management Agreement,
 22 previously marked was shown to the
 23 witness.)

24 Q I just handed you what has been

1 previously marked as Aldama Exhibit 27, which
 2 is the collateral management agreement dated
 3 February 27, 2007, between Cedar Woods CRE
 4 CDO issuer and Angelo Gordon & Co. as
 5 collateral manager.

6 Is this the collateral
 7 management agreement under which Angelo
 8 Gordon operates with respect to the Cedar
 9 Woods II deal?

10 A Yes.

11 Q Is it your understanding that
 12 this is a contract between Angelo Gordon and
 13 the issuer?

14 A Yes, that is my understanding.

15 Q The services that are being
 16 provided under this agreement are the
 17 services that Angelo Gordon provides to the
 18 issuer?

19 A Correct.

20 Q Section two, which starts on
 21 page one, lists the services that the
 22 collateral manager, Angelo Gordon in this
 23 case, is to provide under the agreement?

24 A It does.

1 Q Section 2A governs the --
 2 determining the securities to be purchased or
 3 sold by the issuer?

4 A It does.

5 Q And would you agree that all
 6 purchases and sales of collateral on behalf
 7 of the issuer are to be done in accordance
 8 with the indenture?

9 A I believe that's correct.

10 Q Skipping over to page two,
 11 paragraph G1, would you agree that Angelo
 12 Gordon undertook an obligation to monitor the
 13 collateral debt securities on an ongoing
 14 basis?

15 MR. PEES: Objection.

16 A I would agree.

17 Q In Subsection 2F, Angelo Gordon
 18 undertook to determine whether any collateral
 19 debt security is a defaulted security?

20 MR. PEES: Objection.

21 A I would agree.

22 (Whereupon, Jacobs 26,
 23 Collateral Administration Agreement,
 24 previously marked was shown to the

